



Provider of Choice Cost Management, Foundational Interests and Goals

PPC Rates and Contracts

October 26, 2021

PROVIDER OF CHOICE

— POST-2028 —



Agenda

- Feedback on September 28th Carbon Discussion
- Cost Management
- Foundational Principles/Interests
- Need for alignment on overarching goals for Provider of Choice
- Next steps



Carbon Discussion Feedback

PROVIDER OF CHOICE

POST-2028



Summary of Comments from September 28 th Carbon Discussion	BPA response
<p>Several commenters expressed appreciation for the thought and work BPA staff put into BPA’s initial attempt to identify feasible options aimed at addressing public power’s post-2028 carbon treatment needs, while acknowledging more work lies ahead.</p>	<p>Thank you for the comments.</p>
<p>Commenter supports maximizing the value of the Federal system to the benefit of all preference customers after 2028, which includes creating a treatment of carbon emissions and environmental attributes that works for all preference customers.</p>	<p>Thank you for the comment.</p>
<p>One commenter noted that public power does not want a post-2028 power product that hinders utilities’ ability to meet regulatory requirements.</p>	<p>It is not BPA’s desire or intention to offer products that would hinder customers’ abilities to meet their local and state regulations; however, BPA and customers alike recognize that customers across the region have different needs, wants and values. We look forward to weighing the trade-offs and underlying goals and interests as discussions continue.</p>
<p>A commenter noted that BPA presented it will be difficult for the agency to provide a 100% carbon free option at the beginning of the post-2028 contracts due to perceived legal and operational constraints. The commenter noted that, for various reasons, offering a post-2028 carbon-free power product for preference customers that must purchase or want to purchase such a product is essential. The commenter noted that a BPA product that includes carbon may make it more difficult for them to meet their CETA obligations beginning in 2030, if for instance, the non-federal resources they use to serve their load also have carbon attributed to them.</p>	<p>BPA appreciates the dilemma customers in Washington may face. To clarify, BPA stated that it is not feasible to make the system 100% carbon free at the outset of the post-2028 contracts, as the balancing purchases (i.e., spot market transactions) that BPA makes are part of the system and necessary to meeting customer demands and BPA’s statutory and contract obligations to meet the load requirements of customers. However, BPA hears customers concerns; BPA offered product options that include ‘greening’ up the system over the duration of the Post-2028 agreements and rate options that would be designed to recover cost from carbon free resources for customers being served with that fuel mix. BPA looks forward to further exploring these product options and cost structures that could potentially meet customer needs. BPA notes, however, that options available to customers will also depend on what state regulators will accept as a “carbon free” product for purposes of compliance with their programs.</p>
<p>One commenter claims that carbon is an attribute inherently linked to customers’ rights via the benefits of the BPA core system as preference customers, while another commenter similarly asserts that post-2028 power products must include the allocation of environmental attributes of the federal system to preference customers.</p>	<p>Thank you for the comments. BPA looks forward to continued conversations over how the attributes and/or associated benefits/value of the system should be shared. BPA notes that preference gives certain customers first access to BPA’s power in the event there are competing applications.</p>

Summary of Comments from September 28 th Carbon Discussion	BPA response
<p>One commenter requested that BPA publicly endorse the approach that it would not charge any premiums associated with carbon free energy because they believe carbon is an attribute inherently linked to their rights via the benefits of the BPA core system as preference customers—and that carbon attributes and RECs flow alongside the electrons. Similarly, another commenter does not believe that preference customers should pay a premium to receive RECs or the environmental attributes associated with their purchases from the Federal system. This commenter states preference customers have historically invested in and paid for the carbon-free resources that comprise BPA’s portfolio, and it would be inappropriate to charge customers a premium to receive attributes for which they have already paid</p>	<p>Thank you for the comments. BPA cannot at this time endorse an approach of either charging or not charging a premium for the environmental attributes associated with its products. Without giving a staff proposal or leaning, BPA offered its analysis on a number of options on September 28th that both included and did not include the charge of a premium. BPA assumes that premiums and administrative charges will be further discussed among customers as these discussions continue.</p>
<p>One commenter feels that BPA should avoid uncompensated allocation of environmental attributes to non-preference customers, including sales of RECs or other carbon attributes to non-preference utilities without preference customer agreement.</p>	<p>Thank you for the comment. BPA needs further conversation to understand the concern. Additionally, BPA does not understand what is meant by the phrase “preference customer agreement.” As is the case with BPA’s marketing of its surplus power, such marketing decisions are made solely by BPA and are not subject to prior agreement by any other entity, including preference customers.</p>
<p>One commenter offered the following option: Customers who require above and beyond the current system capabilities of carbon free energy can work with BPA specifically for those added services. BPA can price those services based on specific customer requirements (CETA and other State mandates) through the trading desk and offer those on a standalone basis.</p>	<p>BPA is not sure exactly what “added services” are being contemplated by the commenter. If it is mitigation for any emissions in the system, BPA offered an option (carbon option 7) that would provide such a service. BPA is not authorized to serve as an agent to acquire resources (power supply) on an individual customer basis. BPA is aware of other entities that can perform such services, such as Energy Northwest (a Washington state joint operating agency), The Energy Authority, and other similar entities who are organized for such purposes.</p>
<p>One commenter states that Washington State policies require utilities in that state to show an attribution for all MWh received; therefore, a pro rata allocation based on RHWMs (REC Option 1) will not meet their environmental policy needs, particularly for Slice customers whose annual BPA Power allocation routinely exceeds their RHWm allocation.</p>	<p>BPA appreciates the customer perspective on whether REC option 1 would meet a customer’s environmental policy needs and looks forward to further discussions.</p>
<p>Assumption for REC Option 2 (Bundled PF sales and allocate RECs based on MWhs of hydro/renewables purchased): BPA would sell the RECs associated with surplus sales on customers’ behalf; the REC premium associated with LF & Block customers’ surplus energy would go into the non-Slice cost pool as a financial benefit, while Slice customers would get the energy and REC associated with Slice surplus in kind? Commenter notes that this approach REC option 2 would pass the “equitable” test.</p>	<p>We appreciate the question. BPA clarifies that in its analysis presented on September 28th it intended that the RECs associated with surplus slice sales would transfer to the purchasing customer. While further discussion will be needed on this and all options, BPA agrees, at a high level, that it would appear equitable for any revenues from BPA selling additional RECs to flow into the non-Slice cost pool similar to the treatment of the benefits of net secondary revenues.</p>

Summary of Comments from September 28 th Carbon Discussion	BPA response
<p>In reference/comparison to REC option 2 (see above or below), could there be an option where LF and Block customers can elect to receive the unbundled RECs associated with their share of surplus energy at no additional cost? Commenter believes there is an argument that they paid for it just like Slicers. Commenter notes this could create some direct assignment issues and introduce some tracking complexities however.</p>	<p>Unlike the Slice product neither the LF nor Block products include an advance sale of surplus, nor do those customers receive a share of surplus. Rather any available surplus (excess of the core products, including the Slice and its surplus component) is marketed by BPA and the resulting secondary revenues credited to the non-Slice Priority Firm (PF) rate. BPA notes the idea presented by the commenter appears similar to the status quo method of allocating all RECs to customers.</p>
<p>One commenter states that REC Option #2, which outlines a bundled PF product and conveys attributes based on actual MWh purchases, and Carbon Option #3, attributing the system mix of all BPA resources, both appear to be reasonable starting places that warrant further development. These options can account for all MWs sold, as well as accurately measure carbon and RECs based on the system attribution and the volume of BPA power purchases received by customers.</p>	<p>Thank you for the comment. BPA looks forward to further discussion of what options warrant further development.</p>
<p>One commenter asks that BPA align the methodology for attributing carbon to customers and allocating environmental attributes. The commenter states that, when considering the options presented at the September 28th workshop, this alignment suggests the concepts proposed cannot be freely “mixed-and-matched.” This commenter believes that, for example, in REC Option 3 the selling of RECs as a separate “unbundled” product would disassociate those RECs from the underlying energy and potentially bring it out of alignment with carbon attribution.</p>	<p>Thank you for the comment. As it relates to REC option 3, BPA identified similar questions as to whether state regulators would consider it to be a “bundled product.”</p>
<p>One commenter asks BPA to consider what it calls “look-back attribution.” This commenter does not believe the CETA statute requires a real-time accounting of energy and REC attribution. Given this, the commenter believes BPA could calculate its system attribution in regular annual increments after generation and market purchases have occurred, and then assign and allocate attributes based on the volume of MWh purchased by customers.</p>	<p>Thank you for the idea and customer perspective on what Washington might require for CETA compliance. BPA envisioned that under the REC options the accounting and subsequent allocation of attributes could occur after-the-fact as it does today with BPA allocating RECs to customers on an annual basis and reporting its fuel mix annually. Though BPA notes that it is willing to discuss more options if customers need them to meet state requirements.</p>

Summary of Comments from September 28 th Carbon Discussion	BPA response
<p>One commenter offered an option (part of a larger proposal) which would allow customers to start with 100% carbon free energy from what the comment refers to as the core system (FCRPS + CGS); customers could then then bilaterally trade carbon attributes between themselves or with BPA. Any BPA customer that does not require carbon free energy would be allowed to market their share of carbon free energy to other customers which may need to buy it.</p>	<p>Thank you for the comment. BPA clarifies that the system is not 100% carbon-free as the balancing purchases that BPA makes are part of the system and necessary to meeting customer demands and BPA's statutory obligations to meet the load requirements of customers. As BPA explained on September 28, given today's markets and state accounting practices, it is not possible to make 100% carbon free balancing purchases today and our ability to in the future remains uncertain.</p> <p>BPA believes this proposed option lies outside of BPA's current statutory authorities because it appears to involve customers reselling firm power. There is no core system from which BPA markets power; however, within the Federal Base System there exists the FCRPS and CGS. Neither of these components of the FBS are marketed separately or apart from the totality of FBS resources. Moreover, the supply of firm power (and attributes of firm power) to meet a customer's firm power load pursuant to §5(b)(1) of the Northwest Power Act does not confer a right to a customer to resell for its own benefit. The amount of power sold by BPA must be used by the customer to serve its load. At this time, BPA does not see this as a feasible option for the sale of carbon free energy or carbon attributes.</p>
<p>One commenter asks BPA to facilitate what it calls "customer-driven attribute re-allocation." The commenter envisions this mechanism operating by allocating to every customer their share of carbon and environmental attributes by default on a preliminary basis, and allowing requests for reallocation between customers with differing policy needs. The commenter states that this mechanism would occur before the actual transfer of attributes. While customers may be able to re-market received RECs without BPA's facilitation, that could create a potential misalignment with carbon attribution, which does not have a defined transfer mechanism. The commenter believes that, while the exact manner of reallocation and value transfer warrants further discussion, BPA's facilitation could take the form of value transfer via billing credits and debits, or other value transfer mechanisms within BPA's scope.</p>	<p>BPA believes this is somewhat similar to the comment above, but does not involve the resale of power; rather, it would require BPA's facilitation in order to transfer attributes (RECs) amongst customers prior to them being allocated. BPA is open to further discussion on this idea, but without further information, BPA questions whether it would be consistent with system sales, overly burdensome, or appropriate for BPA to act as an agent in facilitating such trading/selling of RECs. BPA also notes that any such idea would additionally be dependent on what state regulators will accept for purposes of compliance with their programs.</p>



Cost management discussion



Today's discussion & the 6 steps

Today, we seek a candid, open discussion session that explores the approaches we can take to the inter-related topics of cost management and the foundational interests and goals of Provider of Choice. We want to discuss trade-offs, highlight the different vantage points, and identify areas of common ground.



BPA's legal sideboards

Pre-decisional. For discussion purposes only.



Load and resource statutory parameters

- Section 5(b)(1) of Northwest Power Act provides that BPA shall, upon request from a customer, offer a contract to supply firm power to serve the customer's firm power load net of its resources (net requirements).
- BPA follows its Policy on Determining Net Requirements under sections 5(b) and 9(c) as supplemented in 2008 for Regional Dialogue purposes.
- BPA's authority to acquire resources is based on the need to assure it has resources on a planning basis adequate to meet BPA's contractual obligations to supply its customers with electric power pursuant to section 5(b) of the Northwest Power Act.

Legal sidebar: cost recovery

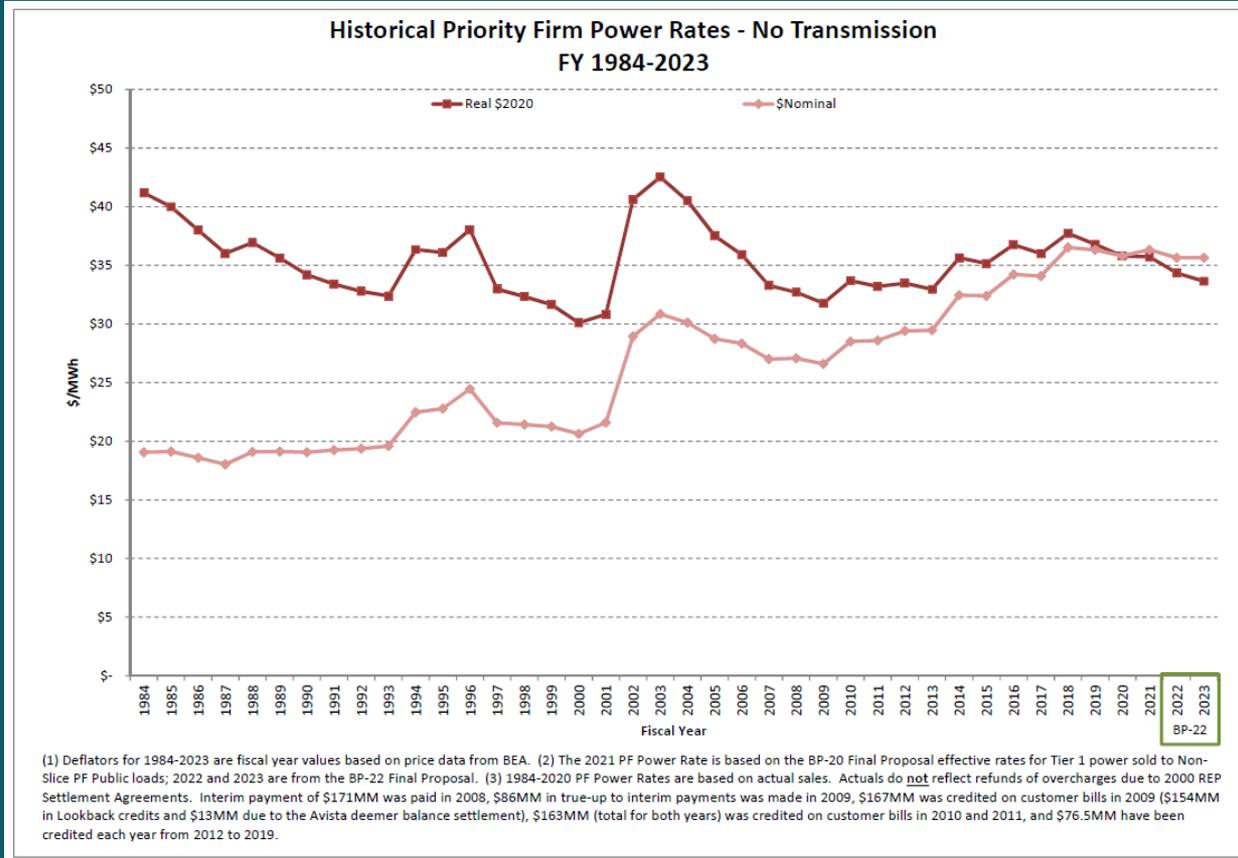
- BPA statutes require BPA to recover its total system costs through its rates. See § 7(a) Northwest Power Act.
- Some costs are what they are: repayment of Energy Northwest debt, U.S. Treasury.
- Other costs result from Fish and Wildlife Program, Endangered Species Act Biological Opinion.
- Still other costs are incurred as determined by the Administrator.
- BPA's costs are included in its annual budget and submitted to Congress for approval.
- BPA must equitably allocate costs to power rates, including but not limited to costs associated with: *conservation, fish and wildlife measures, uncontrollable events, reserves, the excess costs of experimental resources acquired, the costs of credits, operating services, and the sale of or inability to sell excess power.* NWPA § 7(g).

Ongoing commitment to cost discipline

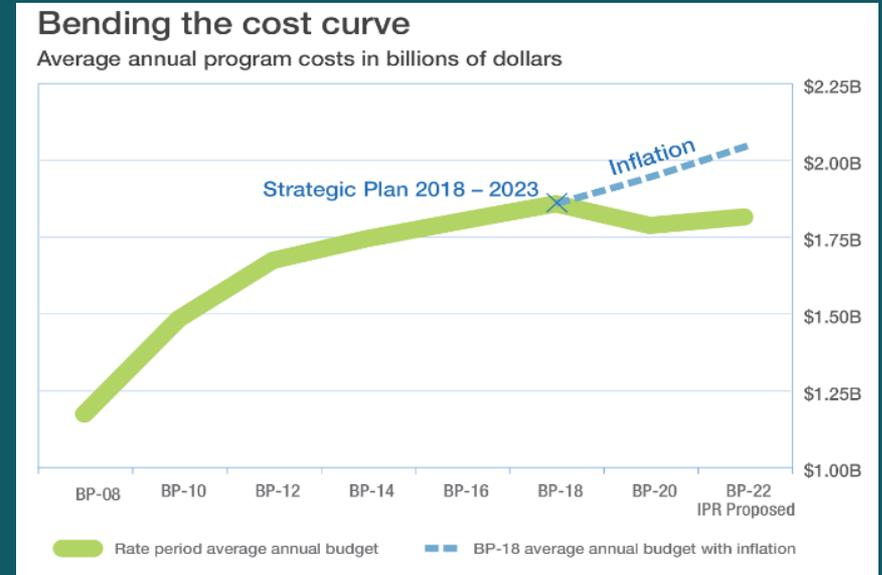
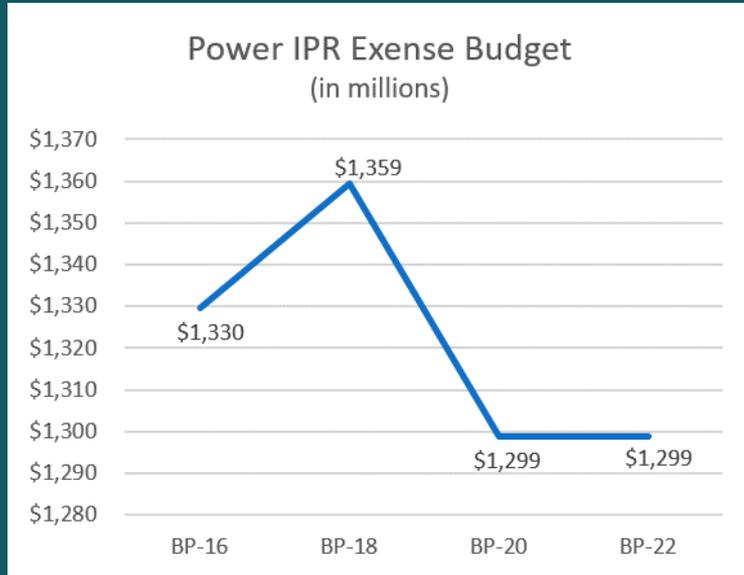
Pre-decisional. For discussion purposes only.



Holding steady



Commitment to cost discipline



RD cost control measures accomplished

- In Regional Dialogue BPA committed to develop a regional cost review process to develop spending plans in advance of the rate period and an ongoing review of the achievement of the cost targets.
- BPA committed to include information from the Federal Partners in the regional cost review process.
- BPA committed to including stakeholder input and both manager and staff level participation on cost items prior to BPA making commitments while retaining final decision making authority at the federal level with BPA and the Federal Partners
 - BPA has met these commitments in Integrated Program Review (IPR), the Quarterly Business Review (QBR) processes, and Capital Review processes.

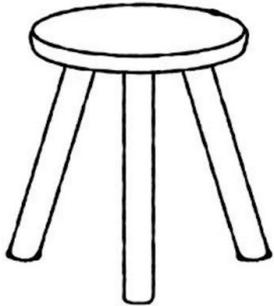
Common threads from RD to now

- BPA acknowledges customer concerns regarding long-term control of BPA's costs when there are long-term take-or-pay contracts.
- Long-term contracts provide long term power supply but also commit customers to pay the costs of the federal system exposing customers to the risk that those costs could change.
- BPA is committed to continuing regular access to clear and transparent financial information and frequent opportunities for meaningful input into BPA cost and program decisions.
- BPA and customers have a shared commitment to strengthen BPA's long-term financial health.

Cost awareness

Competitive products and services

- Meet load and regulatory requirements
- Provide value relative to comparable products and services
- Provide flexibility to meet customer objectives and that can adapt to future uncertainties



Lowest possible costs

- Rigorous cost management
- Continued transparency and customer input into costs.

Sound business principles

- Generally, BPA operates like a business in meeting its statutory purposes and obligations.
- Allows for prudent expenditures:
 - Invest in BPA.
 - Invest in infrastructure.
- Ensures BPA's financial health.
- Maximizes the value of the existing system.
 - Consider opportunities such as participation in emerging markets.
- Adaptive to different scenarios.
 - Decision-making with holistic view of what is best for agency given the particulars of the situation.

Financial prudence

Prudent Financial Management

- Optimize debt portfolio, replenishment of Borrowing Authority while minimizing interest expense, manage debt according to industry benchmarks
- Standardize the use of regulatory deferrals to transition Energy Efficiency and new CRFM studies to expense

Situationally aware spending levels

- Mid-rate period spending level reductions in BP-18 to avoid potential Cost Recovery Adjustment Clause.
- BP-20 and BP-22 rate period spending levels held flat to address an upward rate trajectory.
- Situationally adjustable amounts of revenue financing in BP-22.

Financial prudence

Ability to respond to the unexpected

- Expedited 7(i) Process that suspended the Financial Reserves Policy Surcharge to provide timely rate relief at the onset of COVID-19.
- COVID: Extended payment agreements; flexible PF rate option; suspension of the financial reserves surcharge for FY20/21.

Measurable results

- A ten-year historical rate trajectory that is in line with the rate of inflation, about 2 percent annually.
- Financial reserves above 60 days' cash on hand that are approaching pre-contract period levels.
- A decreasing debt-to-asset ratio.

Areas of customer interest - spectrum of mechanisms

We understand that customers want some form/ability to influence more control over costs relative to the RD contracts.

Customers have suggested forms of additional control:

- Contractual
- Spending levels
- Known risk package and corresponding mechanisms
- Known financial policies

Contract term as a mechanism

- Customer interest in long-term power supply, carbon attributes, capacity – but not at any cost.
 - Customers desire input, influence, control over cost-driving decisions.
 - Predictable rates during the post-2028 contract period.
- Customers have suggested shorter term contracts; seen as means to blunt cost exposure risk.
- One of the benefits of RD is a standardized contract. This avoids someone getting a “better deal” and a breadth of contracts to try to implement.

Contractual release valves: off-ramps

- Off-ramps and exit clauses change which customers pay, but they do not change the total amount paid. BPA must recover its costs and few customers would be able to entirely leave BPA.
 - Other tradeoffs of this approach:
 - Investment risk for BPA and the remaining customers.
 - Potential erosion of BPA's long-term competitive advantage.
 - If there's a sentiment that a 2-year rate case with a known contract is hard, it gets exponentially harder if both contract terms (duration) and rates are changing.
 - Varied contract terms and/or shorter term length is contrary to principle of administrative efficiencies.
 - Creates rate-base uncertainty for customers that remain with BPA
- If customers decline to purchase from BPA, lowest cost power may not be available to purchase at the lowest PF rate in the future.
- Not BPA staff's preferred cost control mechanism. Fractures community, shifts risk, costs.

Off-ramp potential options

Trigger-based, BPA and remaining customers share risk

- Off-ramps tied to cost caps or a rate ceiling.
- Off-ramps associated with state or federal laws.
- Fractional off-ramps (remove a portion of load)

Potential to structure an off-ramp such that risk is shared

- Off-ramps that have mutual benefit (off-ramp if customers are developing infrastructure, generating resources, EE (perhaps with caps))
- Off-ramp only if customer can find a buyer, other preference customer, an IOU, at same or higher rate.

Opportunity for outside-the-box thinking

- Increased flexibilities around customers elections into or out of service elections can be seen as off-ramps.

Financial release valves—staff perspective

Potential financial release valves:

Limit costs. Potentially viable if the costs are controllable – as BPA demonstrated through the RD contracts. If the costs are due to uncontrollable factors, then very little can be done. Further, BPA’s controllable costs are a tiny fraction of BPA’s exposure to uncontrollable costs. It’s a tool BPA has historically used and will continue to use, but it has its limits.

Secondary revenue risk was one of the biggest sources of rate pressure during the first part of the RD contracts. Mitigating secondary revenue risk, with a standard deviation of \$150 million or more, with spending level reductions isn’t a reliable option.



Image Source: dribbble.com

Financial release valves—staff perspective

Potential release valves, continued:

- **Create a cash buffer.** Build a cash buffer into BPA's rates that can be used to mitigate rates under certain situations. "Rate stabilization funds" are commonly used within the utility industry. This may be a viable option, particularly if separated from BPA's other financial reserves – meaning they are financial reserves used solely to smooth out rate impacts.
- **Improved Debt Metrics – Create Flexibility.** Focus on moving BPA toward a much healthier and sustainable capital funding approach and therefore healthier debt position to create flexibility for the future. This concept will be discussed in Financial Plan Refresh.

Rate certainty/stability/predictability

- Classic tradeoff between higher, more stable rates versus lower, less stable rates.
- Predictable rate increases on a schedule? Can't pre-decide rates, but can establish a rate methodology or spending framework.
 - Reach an agreement on an acceptable increase in BPA's controllable costs, e.g., at the rate of inflation.
 - Remove secondary revenue from the base rates. Again, a significant source of BPA's previous power rate volatility was forecast and credit of secondary revenue.
 - Secondary revenue credit as a function of the contract, so no one can take it away from customer after-the-fact.
 - Secondary revenue removed from base rates and adopt a risk package that is calibrated to a world without secondary revenue risk.

Rate case frequency as cost control

- Legally can go 1-5 years. Until 1995, BPA had rate cases every 2 years; 1996 to 2006 tried 5 year rate periods—found it was hard to address cost for risk; returned to 2 or 4 year rate periods to address risk, CGS refueling and non-refueling years, customer resource elections, etc..
- Longer rate periods require more robust risk mechanisms – particularly if secondary revenue is still in the base rates or if cost increases due to uncontrollable cost items, or unexpected resource acquisition costs.
- BPA plans to construct various risk packages, with secondary in base rates and without, plus under two different rate period assumptions, 2 and 4 years. This should help identify the tradeoffs of these inter-related pieces.

Proposed process goals

Proposed Cost Management Process Goals relevant to Provider of Choice:

- Engage in Financial Plan Refresh process as a venue to discuss financial health principles, as applicable;
- Continue to strive for effective management of BPA's spending, consistent with accomplishment of BPA's mission, both expense and capital;
- Consider customers' and/or constituent concerns regarding BPA cost decisions;
- Provide reasonable assurance that 20-year contracts will remain attractive through effective cost management;
- Stay within existing law;
- Continue to build trust and confidence through BPA's track record of cost management;
- Support customers' understanding of BPA's processes, decision-making, and performance;
- Present comprehensive risk packages for BPA and customers to evaluate;
- Administrator ultimately accountable for decisions.





Foundational Interests

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2020 customer engagement on interests

Late 2020, after AEs reached out and had conversations with customers on post-2028, BPA shared a [Summary Paper](#), reflecting what BPA heard from customers during the 2020 customer engagement.

On the interests:

“Most of the underlying interests and principles that provided the foundation of the Regional Dialogue contracts remain valid, prescient and relevant. Customers placed particular emphasis on:

- lowest Tier 1 costs and Tier 1 rates,
- customer/regional support and equity,
- and promote infrastructure development.”

BPA is not necessarily endorsing the retention of these interests post-2028. BPA is seeking preference customer input in what the interests should be, informing the Concept Paper.



Lowest Tier 1 Costs and Rates

Lowest Tier 1 Costs and Tier 1 Rates

- Through its contracts, rate structure, and policies, BPA uses the Federal Base System (FBS) as a firm power supply for customers and works to avoid dilution of the value of the existing FBS so as to produce the lowest possible Tier 1 rate while maintaining BPA's strategic emphasis on competitiveness and cost control and meeting BPA's stewardship obligations.

Principles embedded

- Maximize the value of the existing system by avoiding dilution and maintaining an emphasis on competitiveness.
- Long term firm power supply at lowest possible costs, consistent with sound business principles and stewardship obligations.

Tensions

- As discussed, BPA's costs are significantly driven by factors beyond BPA's control.

Customer/Regional Support and Equity

Customer/Regional Support and Equity

- BPA power marketing policy, as implemented through its contracts and rate design, maximizes the value of the FBS for BPA's regional firm power customers, fosters transparency in its development and administration, and promotes an equivalent value proposition among the different product offerings.

Principles embedded

- Customers receive value and support the contracts and rate design because they were involved in the development.
- Maximize value of existing system for all regional firm power customers.
- Transparency as a means toward building trust and support for contracts.
- Equivalent value proposition

Promote Infrastructure Development

Promote Infrastructure Development Consistent with the Northwest Power Act

- BPA's contracts, rate structure, and policies afford BPA and its customers the flexibility to prudently invest in resources, technologies and the infrastructure to ensure an adequate firm power supply needed to serve load and promote price stability.

Principles embedded

- Supports customer choice to invest in resources, technologies and infrastructure.
- Supports customer serving Above-RHWM load and load growth.

Tensions

- With some states having carbon mandates, will customers be more/less inclined to purchase from BPA at Tier 2 rates?
- How do products/services align with emergent Resource Adequacy program goals and requirements?

Durability/Stability/Enforceability

Durability/Stability/Contract Enforceability

- BPA's contracts establish long-term power supply, avoid unintended cost shifts between products and services, and where possible, apply uniform terms, conditions and transparent processes to minimize disputes and conflicts while maximizing ease of contract administration and shared accountability.

Principles embedded

- Thoughtfully, purposefully crafted contracts that have longevity.
- By avoiding unintended cost shifts, contracts provide an equivalent value proposition (no winners or losers) between the products and services.
- Standardized contracts, 'no favored nations' approach.
- Strive for efficiency in the day-to-day contract administration.

Certainty of Obligations for All Parties

Certainty of Obligations for All Parties

- Long term contracts, rate structure, and policies clarify BPA and customer power supply rights and obligations to reliably sustain the Northwest economy and promote the long-term financial health of BPA and its customers.

Principles embedded

- Long-term certainty
- Clarity about rights and obligations
- Acknowledges the importance of Provider of Choice in customers' communities

Consistent with Stewardship Obligations

Consistency with BPA Stewardship Obligations

- BPA maintains a strong legacy in meeting stewardship obligations in support of fish and wildlife and acquiring cost-effective conservation, while operating consistent with sound business principles and adherence to strategic goals.

Principles embedded

- Stewardship obligations are legal obligations.
- Aligned with BPA's mission, vision and strategic plan.
- Acknowledged as a factor/cost driver in power rates.
- BPA's commitment to its legacy of investing in our region's environmental and conservation goals.

Legality

Legality

- Contracts offered by BPA are consistent with BPA's statutory authority and are not intended to restrict the ability of customers to act in accordance with applicable federal or state requirements.

Principles Embedded

- Mutual acknowledgement that BPA and customers have legal parameters they have to operate within.

Tensions

- Attempts to apply fresh legal interpretations of long-standing statutes.
- This is a given; some feel it isn't necessary to state as an interest.
- Federal and state requirements change; carbon legislation is particularly dynamic.

Simplicity

Simplicity

- BPA's contracts, rate structure and policies are intended to be administratively straightforward and practicable, seeking efficiencies and improvements where feasible without causing material harm to other interests.

Principles embedded

- Strive to simplify, be efficient, not administratively burdensome.

Tensions

- Subjective
- We operate in an increasingly complicated industry; unrealistic goal?
- Simpler contracts and rates may mean fewer products and services, fewer options, more standardization, broader sharing of costs. Counter to some other interests.

Advance National/Regional Objectives

Advancement of National and Regional Objectives

- BPA's contracts, rate structure and policies may assist in meeting broader national and regional goals and initiatives including system reliability and carbon reduction.

Principles embedded

- Investment and support for infrastructure development and carbon reduction
- Acknowledgement that BPA is part of the Federal government and Dept. of Energy, subject to policy and administration changes, and beholden to advance national directives.

Tensions

- Carbon, resource adequacy, emerging markets will play a significant role in Provider of Choice discussions.
- Elevate carbon as a stand-alone interest to recognize its significant influence over policy direction?

Thoughts? Feedback?





Overarching Goals

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— POST-2028 —



The conversations before RD

The region spent years in dialogue aligning around the foundational goals that the region wanted to achieve *prior* to BPA putting out its Regional Dialogue Concept Paper in 2005.

As a result of that region-wide coalescence going *into* the public policy process, we can all pretty easily tick off some of the overarching goals of Regional Dialogue:

- Promote development of regional infrastructure;
- Prevent ‘dilution’ of system;
- Create equity.

So now we are faced with the question: what are the goals *now* that customers want to ground Provider of Choice decisions?

Regional landscape changes

- Aging BPA infrastructure that will need investment
- Greenhouse gas regulations at the federal, state, and local levels
 - Trends indicate that this will be a primary driver of regional policy if not currently, then plausibly in foreseeable future.
- Developing markets, decarbonization, and resource adequacy
 - Opportunities for BPA to leverage and maximize value of its system to the benefit of all regional stakeholders.
 - Anticipated load growth, anticipated need for additional resources. Who will invest in those resources?
- Unknowns will always remain

BPA's role

While continually striving to be a trusted business supplying firm power to preference customers, BPA remains steadfast to its mission and vision to provide:

- Low rates consistent with sound business principles
- Adequate, efficient, economical and reliable power supply
- Accountability to the region.

As the industry evolves, BPA will of course evolve too. But when it comes to serving our preference customers, our purpose—our obligation—is boiled down to supplying firm power that meets the net requirements of our customers, at cost.

Thoughts? Feedback?



Feedback and upcoming sessions

Provide feedback by November 9:

- post2028@bpa.gov
(copy your Power AE)
- Power AEs
- Trade Orgs, as applicable

May 27: 10am-noon	HWM & Tier 1 System Background
June 8: 1-3pm	Non-Federal Resources Background
June 22: 1-3pm	BPA's Statutes, Capacity & Resource Adequacy Background
July 13: 1-3pm	HWM & Tier 1 System Discussion
July 27: 1-3pm	Non-Federal Resources Discussion
August 10: 1-3pm	Carbon Background, Term/Cost Control Background
August 24: 1-3pm	Capacity & Resource Adequacy Discussion
September 14: 1-3pm	Transfer & Transmission Background, EE Background
September 28: 1-4pm	Carbon Discussion
October 12: 1-3pm	Transfer & Transmission Discussion
October 26: 1-3pm	Term/Cost Control Discussion and revisit Interests
November 9: 1-3pm	EE Discussion and Carbon Continued
November 18: 1-3pm	REP Background
December 14: 1-3pm	

Thank you for your time today and your ongoing engagement in post-2028 conversations.

